GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:2855
ANSWERED ON:19.03.2007
MERGER OF LOCAL TAXES WITH MRP OF DRUG PRICE
Chinta Mohan Dr. ;Chowdhury Shri Adhir Ranjan;Nikhil Kumar Shri ;Suman Shri Ramji Lal

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government`s decision to merge local taxes with the Maximum Retail Price (MRP) has pushed up drug prices as reported in the Hindu dated February 17,2007;

(b) if so, the details thereof;

(c) whether the prices of essential drugs/medicines were not brought down within the reach of common man despite all the measures taken by the Government;

(d) if so, the new strategy to be adopted to bring down the prices of drugs?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS AND MINISTER OF STATE IN THE MINISTRY OF PARTLIAMENTARY AFFAIRS (SHRI B.K. HANDIQUE)

(a) and (b): Vide S.O. No. 946(E) dated the 26th June, 2006, the Maximum Retail Price (MRP) of medicines inclusive of all local taxes has been made effective from the 2nd October, 2006. The batches manufactured after 2nd October,2006 are required to carry the MRP inclusive of all taxes. However for imported formulations, MRP inclusive of all taxes has been made applicable w.e.f. 1-3-2007.

(c) and (d) Price impact in respect of Scheduled formulations due to introduction of MRP inclusive of all taxes is about 0.45% only taking into account 4% VAT and 40% abatement on MRP for calculation of excise duty. After the increase in abatement rate from 40% to 42.5% in January, 2007 for calculation of excise duty, the price impact of 0.45% due to introduction of MRP inclusive of all taxes will be netraiized.
The 74 bulk drugs specified in the First Schedule of the Drugs (Prices Control) Order, 1995 (DPCO, 95) and the formulations based thereon are under price control and their prices are fixed / revised by the National Pharmaceutical Pricing Authority (NPPA) in accordance with the provisions of the DPCO, 95. These drugs have been kept under price control on the basis of criteria mentioned in `Modifications in Drug Policy,1986`, announced in September, 1994. The price fixation/revision of the Scheduled Drugs and formulations is a continuous process under DPCO, 95.Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures where the public interest is found to be adversely affected. The monitoring of prices of non-scheduled formulations is currently on the basis of data from ORG IMS.Companies are short listed where there is an increase in price of a non-scheduled formulation by more than 20% in one year and the annual turnover of the formulation pack exceeds Rs.1 crore. Further, the share of the formulator in that segment of the formulation is required to be at least 20% of the market or the medicine is one of the top 3 selling brands of that group. The criteria , namely, high turnover and 20% price increase are designed to identify cases of mass consumption and to meet the requirement of `public interest`, referred to in para 10(b) of the DPCO, 1995.Monitoring of prices of non-Scheduled formulations is an ongoing exercise undertaken by the NPPA. Recently, this Department/NPPA has issued orders for reduction in the prices of 14 formulations by 0.50% to 24,54%. Now the NPPA has been authorized to take up such cases itself and reduce prices to the permissible level, if. necessary, in case a company fails to adhere to the price so fixed by the NPPA, a case of overcharging will be processed against that company by NPPA.